ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

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VIA ELECTRONIC FILING
AND HAND DELIVERY

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City UT 84111

Attention: Julie P. Orchard
Commission Administrator

Re: Advice No. 08-035-78
Response to Comments of Parties
Schedule 135, Net Metering Service

On September 25, 2008, the Public Service Commission ("Commission") opened Docket No. 08-035-78 to consider two changes to Rocky Mountain Power's (the "Company" or "RMP") existing Schedule No. 135, Net Metering Service. The Commission requested public comments regarding: 1) establishing a higher amount of generating capacity from customer generation systems than 0.1 percent of Rocky Mountain Power's peak demand during 2007 and; 2) the appropriate value of excess customer-generated electricity credits.

RMP has reviewed the many comments from the interested parties in Utah ("Parties"). The overwhelming majority of Parties support valuing excess generation at the retail rate. Rocky Mountain Power is also supportive of this methodology as long as this same method is used for both residential and non-residential customer classes. The majority of the Parties suggest some form of change to increase the amount of customer-generated capacity allowed in Rocky Mountain Power's net metering program. Rocky Mountain Power appreciates the comments of the Parties and provides a more detailed response below.

<u>Amount of Customer-generated Capacity</u>
As referenced in the comments of Utah Clean Energy and Western Resource Advocates, the amount of net metered capacity allowed under RMP's current Schedule 135, is 4,615 kW which complies with *Utah Code § 54-15-102(2)(a)*. The amount of net metered generation on RMP's system at October 31, 2008 was 540 kW, well below the maximum allowed in RMP's existing Schedule 135. As such, the Company does not believe there is a need to further increase the existing limit of 4,615 kW. However, just as the Committee of Consumer Services ("Committee") notes in its comments, the Company would likewise not be opposed to a reasonable increase. Alternatively, Rocky Mountain Power would not be opposed to elimination of any reference to a "cap" in its tariff. The Company will abide by the Utah Code and rules of

the Utah Public Service Commission and to remove the numerical reference will eliminate the necessity of a tariff change if the Commission exercises its authority under Utah Code § 54-15-103(3)(a). Many Parties have expressed concerns that the limitation set forth in the tariff could become a barrier to net metered generation in Utah. The Division of Public Utilities ("Division") in numbered paragraph 3 suggests the rules should contain sufficient flexibility to account for program growth. If the Commission determines a rulemaking to address this issue is appropriate, RMP will willingly participate in the rulemaking process.

<u>Value of Excess Credits</u>

The Department of Natural Resources recommends that to be equitable and to make a net metering policy successful, cost for excess generation from a net metering system be valued at the kilowatt-hour (KWH) value of the customer's rate and believes that customers should still pay for base charges that cover a utility's transmission and delivery costs.

For residential customers, the Division supports credits for excess generation in kilowatt hours that offset the energy portion of the bill and not any fixed monthly customer charges.
For non-residential customers the Division supports permitting customers to opt for one of two options: Option 1 excess generation valued in kilowatt hours or; Option 2 requiring the utility to install a production meter and credit production at avoided costs.

The Utah Clean Energy and Western Resource Advocates under paragraph E supports providing commercial customer participating on certain rate schedules the option to choose between excess generation valued in kilowatt hours, for excess credits valued at avoided costs or another appropriate mechanism determined by the Commission.

RMP would support moving from the avoided costs to valuing the excess generation in kilowatt hours if this methodology is used for both residential and non-residential customer classes.[1] RMP also agrees with a number of the Parties that customers should remain responsible for payment of the fixed or "basic" service charges. Moving to valuing credits at the retail rate is much simpler. For non-residential customers, the Division's Option 2 and Utah Clean Energy and Western Resource Advocates limited commercial customer option already exists under the Qualified Facilities ("QF") rules. In the state of Utah, the Company has interconnections with many QFs that produce power and sell that power at avoided cost. RMP believes the current process of valuing excess generation at avoided costs, calculating dollars credits on monthly bills, and explaining the avoided cost methodology and calculations to customers, is burdensome to administer and confusing for all involved.

[1] The Division in its numbered paragraph 5 references relevant rate schedules available for net metering customers. Rate Schedule 9 is for transmission delivery points of 46,000 volt or higher and is not referenced in Schedule 135. Recent changes to the Utah Code eliminated the reference to transmission facilities. *Utah Code § 54-15-102(3)(a)(iii)* states: "operates in parallel and is interconnected with the electrical corporation's distribution facilities."

The Committee has expressed that any changes from the established tariff must provide important protections for all consumers. The Company believes by using the same methodology for residential and non-residential customers, there is some offset to the credits between the classes. If this methodology does not benefit customer-generators, the QF offering is available to commercial customers. In addition, the utility will have the ability to utilize the upcoming enhancements that are planned for the customer billing system for preparation of monthly net metering bills if the retail rate is utilized for excess generation credits. This will reduce administrative expense and risk of error in bill calculations. It will also eliminate those elements of confusion in calculation and explanation of the excess generation credits.

Other Parties Comments

RMP reviewed many comments on net metering issues outside of: 1) establishing a higher amount of generating capacity from customer generation systems than 0.1 percent of RMP's peak demand during 2007 and; 2) the appropriate value of excess customer-generated electricity credits. RMP appreciates this additional information provided by the Parties but RMP requests the Comments of this Docket 08-035-78 be limited to the two issues above. Other comments provided can be addressed in another forum.

Informal inquiries may be directed to Dave Taylor at (801) 220-2923.

Very truly yours,

Jeffrey K. Larsen
Vice President, Regulation